



United States Department of the Interior

OFFICE OF THE SECRETARY

Washington, D.C. 20240

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Memorandum

To: Assistant Secretaries
Bureau and Office Directors
Chief Financial Officers

From: Carol L. Sampson *Carol L. Sampson*
Associate Director - Finance Policy and Operations
Office of Financial Management (PEM)

Daniel L. Fletcher *Daniel L. Fletcher*
Associate Director - Financial Statements and Systems
Office of Financial Management

Subject: Guidelines for FY 2006 Internal Control and Audit Follow-up Programs

This memorandum contains the Department's guidance for the FY 2006 Internal Control and Audit Follow-up Program, including the activities and timeframes necessary to comply with the Federal Managers' Financial Integrity Act (FMFIA); Office of Management and Budget (OMB) Circular A-123 and Appendix A, *Management's Responsibility for Internal Controls*; OMB Circular A-127, *Financial Systems*; OMB Circular A-50, *Audit Follow-up*; and the accelerated timeframe for completing the Department's FY 2006 Performance and Accountability Report (PAR).

During FY 2006, the Internal Control and Audit Follow-up Program will focus on how well bureaus and offices¹ are: Managing and protecting resources; complying with laws and regulations; producing reliable program and financial information for decision making; and achieving stated program performance goals. The emphasis on holding managers accountable for the timely completion of FMFIA and audited financial statement material weaknesses and the timely implementation of Office of Inspector General (OIG) and U.S. Government Accountability Office (GAO) audit recommendations will continue. Monthly and quarterly monitoring and scorecard reporting for material weakness corrective action and audit recommendation implementation progress will continue to ensure that the Department achieves its Government Performance and Results Act (GPRA) performance goal for the Internal

¹ 340 DM 1.1B requires that, "All bureaus and offices with program and functional activities are to comply with this policy, except offices whose primary function is the issuance of policy."

Control and Audit Follow up Programs, and meets all commitments for the "Proud To Be Goals" reported to OMB.

The following summarizes the significant elements of the FY 2006 programs. A Schedule of Key Actions is provided so that meetings can be placed on calendars of appropriate officials and staff and requirements can be achieved.

▪ **FY 2006 Internal Control Review Priorities**

Bureaus and offices should develop internal control review plans for FY 2006 based on management priorities, assessed risk levels, available resources, and ensure that planned reviews will provide a sufficient basis for their FY 2006 Annual Assurance Statements. There will be two assurance statements this year: Management must provide an assurance statement at mid-year on the effectiveness of internal controls over financial reporting (OMB Circular A-123, Appendix A), and a final assurance statement at year-end covering all programs and operations, including financial reporting.

In developing FY 2006 internal control review priorities and plans, bureaus and offices should not rely on planned OIG and GAO program audits to account for more than 50 percent of the total planned management control reviews. It is important to note that for this year and subsequent years, bureau and office management must perform sufficient internal control reviews to support their assurance statements, and may not rely solely on the financial statements audit to provide support for their assurance statements over financial reporting.

Section III of Revised OMB Circular A-123 contemplates an integrated framework of the numerous statutes and regulations that support internal control, and PFM encourages bureaus and offices to include reviews associated with their key processes in their internal control review plan and as support for their assurance statements. For example, some bureaus and offices have not included program evaluations and studies, performance plans and reports, and other analyses and reviews conducted annually or intermittently which may have internal control review components. Such activities include, but are not limited to reviews conducted using the Program Assessment Rating Tool, competitive sourcing analyses which define the "Most Efficient Organization," reviews under the Improper Payments Improvement Act, and reviews of human resources programs and information technology (IT) systems. The latter category can include NIST-800-26 reviews, Formal Risk Assessments, Security Tests & Evaluations, IT System Accreditations, IT Security Scorecard Evaluations, E-Gov Scorecard activities, Patch & Vulnerability Assessments – Internal Scanning, the DOI IT Security Program Review, and External Network Vulnerability Scans. Finally, bureaus and offices receiving services from other organizations may want to obtain and review a copy of relevant documentation (e.g., SAS-70) from their service provider.

Bureaus should transmit their internal control review priorities to PFM for review and concurrence by **December 1, 2005**. These plans should specifically identify: The programs, organizations, or functions to be reviewed; the timeframe for each review; the responsible official for each review; the number of reviews which will be conducted using the Department's automated assessment approach, if any; and the final OIG and GAO program audit reports that will be used as alternative internal control reviews. PFM will review the bureau priorities and offer recommendations for other assessments, where appropriate. PFM will provide written concurrence or other feedback on bureau FY 2006 internal control review priorities within 10 days of receipt of the bureau plans. The final FY 2006 internal control review plans for the Department will be published on or before **December 15, 2005**.

Bureaus again will have discretion in determining which program and operational controls are to be assessed, with the exception of reviews needed to support assurance over financial reporting at the consolidated level, and Department Functional Reviews (DFRs) discussed below. Bureaus must ensure that assessment documentation complies with current OMB, GAO, and Department standards, and that copies of all final review reports are forwarded to and maintained in a central file by the bureau Internal Control Coordinator (ICC). PFM and the OIG will examine a representative sample of final review reports to ensure compliance with Department, OMB, and GAO standards. The Bureau's ICC should advise PFM by e-mail or facsimile when final review reports are available for inspection.

▪ **Financial Reporting Reviews**

OMB Circular A-123, Appendix A, redefines Bureau manager's responsibility to maintain effective internal controls over financial reporting. Bureaus are required to align their process with the Department, including plans, evaluations, monitoring, and reporting deficiencies related to internal controls for financial reporting, and issuing an assurance statement including evaluation results. Bureaus must document the testing of internal controls and maintain test results in files for review by KPMG and OIG. The bureaus will notify PFM of material internal control weaknesses. Guidance for reporting the results of the financial reporting reviews are attached (Attachment 1). Results of the reviews must be received by PFM no later than June 1, 2006.

▪ **Departmental Functional Reviews**

To comply with statutory requirements and OMB directives, the Department's Office of the Chief Information Officer (OCIO), the Office of Acquisition and Property Management (PAM), and PFM will prescribe selected Departmental Functional Reviews for information technology systems, property and acquisition management, accounting system compliance, and other functional areas deemed necessary. Guidance for conducting and reporting the results of these reviews will be distributed to bureau program coordinators and the ICC's by OCIO, PAM, and PFM no later than November 18, 2005.

▪ **Automated Management Control Assessments**

Bureaus are encouraged to use the Department's automated assessment approach for FY 2006 internal control reviews due to the demonstrated resource saving potential and other benefits associated with the approach. Gordon Horwitz will be available to provide technical guidance and assistance to Bureau personnel in planning and conducting automated management control assessments. Mr. Horwitz may be contacted either by telephone at (202) 208-7317 or e-mail, Gordon_Horwitz@ios.doi.gov.

▪ **Accelerated Due Dates for FY 2006 Management Control and Audit Follow-up Program**

As you know, OMB established a statutory due date of November 15 for agency Annual Performance and Accountability Reports. The accelerated due dates to achieve program milestones and complete the Compliance with Laws and Regulations section of the FY 2006 PAR are listed in the attached Schedule of Key Actions for the Internal Control and Audit Follow-up Program. In summary:

- ✓ Monthly progress reporting is required for FMFIA and audited financial statement material weakness and non-compliance issue corrective actions. Quarterly reporting of OIG and GAO audit follow-up is required.
- ✓ All bureau and office internal control reviews over financial reporting must be completed on or before **June 1, 2005**. This includes required reviews for financial information technology systems.
- ✓ Bureaus' assurance statement over financial reporting as of June 30, 2006, must be submitted to PFM on or before **June 1, 2006**. The assurance statement must address compliance with FFMA for financial IT systems.
- ✓ All reviews of non-financial programs or operations planned for FY 2006 must be completed on or before **August 31, 2006**.
- ✓ Bureaus' annual assurance statement over all programs and operations, including IT systems, as of September 30, must be submitted to PFM on or before **September 15, 2006**. This statement should include an update to the June 30 assurance statement over financial reporting which verifies that key financial reporting controls either have no reportable changes between June 30, 2006, and September 30, 2006, or reportable material weaknesses have been corrected.
- ✓ FY 2006 Year-end Issue Resolution Meetings between the bureaus, OIG, and PMB offices will be held during the week of **October 9-13, 2006**.

- **Monthly and Quarterly Status Report on Audited Financial Statement and FMFIA Material Weakness and Non-compliance Issue Corrective Actions, and OIG and GAO Audit Recommendation Implementation.**

Monthly Status Reports for Audited Financial Statement and FMFIA Material Weakness and Non-compliance Issue Corrective Actions

Corrective Action Plans (CAPs) with monthly milestones for all audited financial statement and FMFIA material weakness and non-compliance issues identified and reported by KPMG in FY 2005 Department consolidated and bureau audit opinions are due to PFM on **December 31, 2005**. The CAPS (Template at Attachment 3) must include:

- ✓ A completion date no later than June 30, 2006, unless otherwise approved by PFM -- correction of IT security weaknesses will not be extended;
- ✓ A funding plan by budget account which provides the funds set aside to completely correct the deficiency;
- ✓ The designated official, including any field officials, accountable for correcting the deficiency;
- ✓ A detailed plan of actions and milestones; and
- ✓ Metrics that will be used to: (1) measure progress, and (2) verify that the actions taken corrected the deficiency.

Beginning in January 2006, on the last working day of each month, each Bureau Chief Financial Officer (CFO) must, submit via e-mail or facsimile, an abbreviated status report to PFM's Associate Director, Finance Policy and Operations, indicating that each CAP is on schedule and which monthly milestones have been completed. If delays occur in the completion or implementation of monthly milestones, a concise statement of the reasons for the delay along with the planned actions needed to complete the action during the subsequent quarter must be provided. PFM will summarize this information in a scorecard format and provide an advance copy for comment to each bureau CFO by the 2nd business day of the following month. Bureau CFO's will have one-day to offer any comments. At the close of business on the 4th business day of the following month, PFM will forward the scorecard to the Assistant Secretary-PMB.

Quarterly Status Reports on FMFIA Program Material Weakness Corrective Actions and OIG and GAO Audit Recommendation Implementation

All bureaus must provide PFM a status report signed by the Director and Assistant Secretary within 15-days after the end of each fiscal year quarter beginning with the quarter ending December 31, 2005, to ensure timely completion of OIG and GAO audit recommendations targeted for implementation in FY 2006 (Attachment 4); and provide the status of single audit reports (Attachment 4).

Based on the progress information provided by the bureaus in their quarterly report and in their monthly report at the end of the quarter, PFM will prepare a summary scorecard to the Assistant Secretary – PMB within 30 days after the end of each calendar quarter. Copies will be provided to the bureaus/offices and Assistant Secretaries.

▪ **Validation of the Completion of Material Weakness Corrective Action Plans**

As in previous years, bureaus must verify the completion of material weakness corrective action plans. Bureaus will be expected to maintain appropriate supporting documentation for each corrective action plan in a central location for subsequent review and validation by the Department and/or OIG staff. Bureaus must also provide PFM documentation to support closure.

▪ **Mid-year Progress Meeting**

Bureaus will be required to participate in a mid-year progress meeting with PMB and OIG staff during the week of May 8-12, 2006. The purpose of the meeting will be to review program performance and discuss and resolve material weakness corrective action issues and any other issues. Additional progress meetings may be scheduled as necessary by PFM.

▪ **FY 2006 Annual Assurance Statements**

DOI has established an integrated organizational structure to implement its internal control program. This structure uses the building block principle: It starts with the individual program manager and ascends to the bureau and office director, to the program assistant secretary, and ultimately to the Secretary. This approach provides a chain of accountability and support for the Secretary's Assurance Statement. Bureaus and offices should ensure that subordinate managers provide assurance statements to support the Bureau or Office Director's assurance to the program assistant secretary. Bureau and Office Chief Information Officers must provide an assurance statement to their director, and provide a copy to PFM and OCIO.

Each Bureau/office is required to prepare two assurance statements this year. The FY 2006 Assurance Statement on Internal Controls Over Financial Reporting as of June 30, 2006, is due to the A/S-PMB and PFM on or before June 1, 2006. The FY 2006 Final Assurance Statement covering all programs and operations is due to the A/S-PMB and PFM on or before **September 15, 2006.** The assurance statements should be addressed to the Assistant Secretary - Policy, Management and Budget, Attention: Director, Office of Financial Management. To allow assistant secretaries to fulfill their reporting responsibilities to the Secretary, each bureau head is required to submit their annual assurance statements through their program assistant secretary. The assurance statements must be reviewed and approved by the appropriate program assistant secretary. Bureaus and Offices should provide adequate time in the assurance statement processing schedule for the Director's and the appropriate

Assistant Secretary's review and approval so that the signed statements can be delivered on or before the due dates. Sample assurance statements are provided as Attachment 1 for your reference.

The as of June 30 and as of September 30 assurance statements must include a statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting, and a statement identifying the OMB Circular A-123, *Management's Responsibility for Internal Control* as the framework used. Additional components of the assurance statements include an assessment of the effectiveness of internal controls over financial reporting as of June 30, an explicit conclusion as to whether controls over financial reporting are effective and operating, and a list of the internal control reviews, OIG/GAO audits, program evaluations and studies, performance plans and reports, and documentation (such as a SAS-70) from service providers that were relied upon to form the basis for the conclusions in the assurance statements.

In addition, Section 4 assurance must be consistent with and include any FFMIA non-compliance issues identified to date by financial statement auditors for the bureau or office during the FY 2006 financial statement audit process. Bureaus and offices are required to provide assurance as to substantial compliance with FFMIA and to identify any non-compliance in the three components of the FFMIA—financial system requirements, Federal accounting standards, and the U.S. Standard General Ledger at the transaction level. A statement should be included regarding the bureau or office's general compliance with the Federal Information Security Management Act (FISMA) requirements, and Appendix III of OMB Circular A-130, *Management of Federal Information Resources*. Sample assurance statements are provided as Attachment 1.

▪ **PFM Internal Control and Audit Follow-up Liaisons**

Internal Control and Audit Follow-up Program oversight responsibilities for the bureaus are assigned to specific PFM staff members and bureau/office ALOs. PFM has found this approach improves customer service by providing "a single point of contact" for all bureau management control and audit follow-up issues. A listing of the PFM and bureau/office Internal Control and Audit Follow-up Program Liaisons for FY 2006 is attached.

Bureaus should refer to the draft Internal Control Handbook which supplements this guidance and also will govern the FY 2006 internal control program. It will be available on the intranet at <http://www.myinterior.doi.net/finance.html> following incorporation of comments from the DOI Senior Assessment Team, the Management Initiatives Team. A separate notice will be sent when it is posted.

We look forward to your cooperation and assistance as we fulfill the Department's Internal Control and Audit Follow-up Program responsibilities during FY 2006. If you have any additional questions, please contact us at (202) 208-4701.

Attachments

cc: Anne Richards, Assistant Inspector General for Audits
Department Internal Control Coordinators (ICCs)
Department Audit Liaison Officers (ALOs)
OCIO
PAM

Schedule of Key Actions

FY 2006 Management Control and Audit Follow-up Programs

Action	Responsible Organization	Due Date
1. Issue Internal Control Program Guidance	PFM	10/31/05
2. OMB A-123 Test Plan (see Finance Section)	Bureaus/Offices	October
3. Finalize and publish the Department's internal control review priorities.	PFM	11/21/05
4. Advise bureaus and offices of FMFIA material weaknesses and OIG and GAO audit recommendations in GPRA Performance Goal Base.	PFM	11/21/05
5. Issue guidance on Departmental Functional Reviews (Property, Acquisition, Information Technology, etc.)	Various PMB Offices	11/18/05
6. Report internal control review priorities to PFM (all inclusive).	Bureaus/Offices	12/02/05
7. Bureaus provide CAP's to PFM for audited financial statement and FMFIA material weakness and non-compliance issues	Bureau CFO's	12/15/05
8. Monthly Status Report on FY 2006 audited financial statement and FMFIA material weakness and non-compliance issue corrective actions.	Bureaus/Offices	End of Month
9. Monthly Status Report to A/S-PMB on FY 2006 audited financial statement and FMFIA material weakness and non-compliance issue corrective actions.	PFM	4 th Day after End of Month
10. Quarterly Status Report to PFM on OIG and GAO audit recommendation implementation.	Bureaus/Offices	01/13/06 04/14/06 07/14/06 08/31/06
11. Quarterly Status Report on OIG and GAO recommendation implementation to A/S-PMB.	PFM	01/30/06 04/28/06 07/31/06 09/14/06

Action	Responsible Organization	Due Date
12. OMB A-123 Test Results Finalized PFM (FISMA and A-130)	Bureaus/Offices	04/28/06
13. Conduct mid-year ICAF progress meeting with bureaus, OIG, and PMB staff.	Bureaus/Offices, OCIO, PAM, PFM, OIG	5/8-12/06
14. Complete all current fiscal year Financial and required IT financial system reviews.	Bureaus/Offices, OCIO, PAM, PFM, OIG	05/15/06
15. OMB Circular A-123 Appendix A Assurance Statement on financial reporting	Bureaus/Offices PFM	06/1/06
16. Complete all current fiscal year Financial, internal control reviews, and Departmental functional reviews.	Bureaus/Offices, OCIO, PAM, PFM, OIG	08/31/06
17. Submit current year assurance statement to AS/PMB and PFM.	Bureaus/Offices, OCIO, PAM, PFM, OIG	09/15/06
18. OMB A-123 Update (update to "as of June 30" Assurance Statement)	Bureau/Offices PFM	09/15/06
19. Year-End ICAF issue resolution meetings	Bureaus/Offices, OCIO, PAM, PFM, OIG	10/9-13/06
20. Complete final draft of Compliance with Laws and Regulations section of the current year Performance and Accountability Report.	PFM	10/31/06

ATTACHMENT 1
Statement of
Assurance as of June 30, 200X

Memorandum

To: Assistant Secretary - Policy, Management and Budget
Attention: Director, Office of Financial Management

Through: Assistant Secretary

From: Bureau/Office Head

Subject: FY 200X Annual Assurance Statement on Internal Control over Financial Reporting

In accordance with your delegation of responsibilities to me, I have directed an evaluation of the internal control over financial reporting of [bureau/office] in effect during the year ended June 30, 200X. This evaluation was conducted in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*, dated December 21, 2004.

In evaluating internal control over financial reporting at [bureau/office], I directed my staff to:

- Identify the financial reports that have a material effect on [bureau/office's] financial decisions;
- Identify the accounts in each selected report that are material to the report;
- Identify the transaction cycles that generate the information for these accounts;
- Document and obtain an understanding of those transaction cycles;
- Evaluate the agency's control environment, risk assessment process, information and communication processes, and monitoring process;
- Identify the control activities in each transaction cycle;
- Assess the design of the controls to determine whether they would prevent or detect errors or misstatements in the selected financial statements; and
- Test the controls that are considered suitably designed and assess whether they are functioning as designed.

Based on the results of this evaluation, the [bureau/office] may provide reasonable assurance that internal control over financial reporting as of June 30, 200X, was operating effectively, **with the exception of the following material weakness(es) that was (were) found in the design or operation of the internal controls over financial reporting.**

- **Insert title(s) and description(s) of material weakness(es)**

[Or, if an unqualified assurance statement may be made, replace the bolded statement above with the following: "and no material weaknesses were found in the design or operation of the internal controls over financial reporting."]

ATTACHMENT 1
Statement of Assurance
as of September 30, 200X
Unqualified

Memorandum

To: Assistant Secretary - Policy, Management and Budget
Attention: Director, Office of Financial Management

Through: Assistant Secretary

From: Bureau/Office Head

Subject: FY 200X Annual Assurance Statement on Internal Control

The [bureau/office] management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). The [bureau/office] conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*, dated December 21, 2004. The objectives of this assessment are to ensure that:

- Programs achieve their intended results;
- Resources are used consistent with agency mission;
- Resources are protected from waste, fraud, and mismanagement;
- Laws and regulations are followed; and
- Reliable and timely information is maintained, reported, and used for decision-making.

In performing this assessment, the [bureau/office] relied on the knowledge and experience management has gained from the daily operation of its programs and systems of accounting and administrative controls, and information obtained from sources such as internal control assessments, OIG and GAO audits, program evaluations and studies, audits of financial statements, and performance plans and reports. The following specific internal control assessments conducted by the bureau, and audits and/or reviews conducted by the OIG and/or GAO were relied upon to support the conclusions expressed herein.

<u>Assessment /Audit</u>	<u>Date Completed</u>	<u>Results</u> <u>(Material Weakness or Best Practice)</u>
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(List or attach list)

Based on the results of the evaluation, the [bureau/office] can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 200X was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, the [bureau/office] conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, the [bureau/office] can provide reasonable assurance that its internal control over financial reporting as of June 30, 200X was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

The corrective action reports for material weaknesses and/or accounting system non-conformances identified in the FY 200X assessment, or carried over from the prior fiscal year, are attached. These reports identify the nature of the weakness or non-conformance, its cause and effect, appropriate interim milestones in the corrective action plan, progress to date, metrics used to measure progress and insure correction, the funds set aside to correct the weakness, and the individuals, including field officials, accountable for the timely completion of stated corrective actions. (If any material weakness corrective action plan targeted for completion in FY 200X was not completed as planned, please report the reasons for the slippage and a summary of what actions remain.) The existence of these material weaknesses or accounting system non-conformances does/does not prevent the [bureau/office] from providing reasonable assurance on the effectiveness of its internal control taken as a whole.

I also conclude that the [bureau/office's] information technology systems generally comply/do not generally comply with the requirements of the Federal Information Security Management Act (FISMA), and Appendix III of OMB Circular A-130, *Management of Federal Information Resources*.

Further, I conclude that the [bureau/office] substantially complies/does not substantially comply with the three components of the Federal Financial Management Improvement Act (FFMIA): Financial system requirements, Federal accounting standards, and the U.S. Standard General Ledger at the transaction level.

Attachments

ATTACHMENT 1
Statement of Assurance
as of September 30, 200X
Qualified

Memorandum

To: Assistant Secretary - Policy, Management and Budget
Attention: Director, Office of Financial Management

Through: Assistant Secretary

From: Bureau/Office Director

Subject: FY 200X Annual Assurance Statement on Internal Control

The [bureau/office] management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). The [bureau/office] is able to provide a qualified statement of assurance that the internal controls and financial management systems meet the objectives of FMFIA, with the exception of [number] material weakness(es) and [number] non-conformance(s). The details of the exception(s) are provided in Exhibit [xx].

The [bureau/office] conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*, dated December 21, 2004. The objectives of this assessment are to ensure that:

- Programs achieve their intended results;
- Resources are used consistent with agency mission;
- Resources are protected from waste, fraud, and mismanagement;
- Laws and regulations are followed; and
- Reliable and timely information is maintained, reported, and used for decision-making.

In performing this assessment, the [bureau/office] relied on the knowledge and experience management has gained from the daily operation of its programs and systems of accounting and administrative controls, and information obtained from sources such as internal control assessments, OIG and GAO audits, program evaluations and studies, audits of financial statements, and performance plans and reports. The following specific internal control assessments conducted by the bureau, and audits and/or reviews conducted by the OIG and/or GAO were relied upon to support the conclusions expressed herein.

<u>Assessment /Audit</u>	<u>Date Completed</u>	<u>Results</u> <u>(Material Weakness or Best Practice)</u>
(List or attach list)		

Based on the results of the evaluation, the [bureau/office] identified [number] material weakness(es) in its control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 200X. Other than the exceptions noted in Exhibit [xx], the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal controls.

In addition, the [bureau/office] conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, the [bureau/office] can provide reasonable assurance that its internal control over financial reporting as of June 30, 200X was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

The corrective action reports for material weaknesses and/or accounting system non-conformances identified in the FY 200X assessment, or carried over from the prior fiscal year, are attached. These reports identify the nature of the weakness or non-conformance, its cause and effect, appropriate interim milestones in the corrective action plan, progress to date, metrics used to measure progress and insure correction, the funds set aside to correct the weakness, and the individuals, including field officials, accountable for the timely completion of stated corrective actions. (If any material weakness corrective action plan targeted for completion in FY 2005 was not completed as planned, please report the reasons for the slippage and a summary of what actions remain.) The existence of these material weaknesses or accounting system non-conformances does/does not prevent the [bureau/office] from providing reasonable assurance on the effectiveness of its internal control taken as a whole.

I also conclude that the [bureau/office's] information technology systems generally comply/do not generally comply with the requirements of the Federal Information Security Management Act (FISMA, and Appendix III of OMB Circular A-130, *Management of Federal Information Resources*.

Further, I conclude that the [bureau/office] substantially complies/does not substantially comply with the three components of the Federal Financial Management Improvement Act (FFMIA): Financial system requirements, Federal accounting standards, and the U.S. Standard General Ledger at the transaction level.

Attachments

ATTACHMENT 1
Statement of Assurance
as of September 30, 200X
Disclaimer

Memorandum

To: Assistant Secretary - Policy, Management and Budget
Attention: Director, Office of Financial Management

Through: Assistant Secretary

From: Bureau/Office Director

Subject: FY 2006 Annual Assurance Statement on Internal Control

The [bureau/office] management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). The [bureau/office] is unable to provide a qualified statement of assurance that the internal controls and financial management systems meet the objectives of FMFIA, due to the [number] material weakness(es) and [number] non-conformance(s) listed in Exhibit [xx].

The [bureau/office] conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*, dated December 21, 2004. The objectives of this assessment are to ensure that:

- Programs achieve their intended results;
- Resources are used consistent with agency mission;
- Resources are protected from waste, fraud, and mismanagement;
- Laws and regulations are followed; and
- Reliable and timely information is maintained, reported, and used for decision-making.

In performing this assessment, the [bureau/office] relied on the knowledge and experience management has gained from the daily operation of its programs and systems of accounting and administrative controls, and information obtained from sources such as internal control assessments, OIG and GAO audits, program evaluations and studies, audits of financial statements, and performance plans and reports. The following specific internal control assessments conducted by the bureau, and audits and/or reviews conducted by the OIG and/or GAO were relied upon to support the conclusions expressed herein.

<u>Assessment /Audit</u>	<u>Date Completed</u>	<u>Results</u> <u>(Material Weakness or Best Practice)</u>
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(List or attach list)

Based on the results of the evaluation, the [bureau/office] identified [number] material weakness(es) in its control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 200X. Other than the exceptions noted in Exhibit [xx], the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal controls.

In addition, the [bureau/office] conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. The [bureau/office] did not fully implement the requirements included in OMB Circular A-123 and therefore cannot provide assurance that its internal control over financial reporting as of June 30, 2xxx was operating effectively. A summary of actions the [bureau/office] will take to comply with the Circular A-123 requirements is included in Exhibit [xx].

The corrective action reports for material weaknesses and/or accounting system non-conformances identified in the FY 2005 assessment, or carried over from the prior fiscal year, are attached. These reports identify the nature of the weakness or non-conformance, its cause and effect, appropriate interim milestones in the corrective action plan, progress to date, metrics used to measure progress and insure correction, the funds set aside to correct the weakness, and the individuals, including field officials, accountable for the timely completion of stated corrective actions. (If any material weakness corrective action plan targeted for completion in FY 2005 was not completed as planned, please report the reasons for the slippage and a summary of what actions remain.) The existence of these material weaknesses or accounting system non-conformances does/does not prevent the [bureau/office] from providing reasonable assurance on the effectiveness of its internal control taken as a whole.

I also conclude that the [bureau/office's] information technology systems generally comply/do not generally comply with the requirements of the Federal Information Security Management Act (FISMA), and Appendix III of OMB Circular A-130, *Management of Federal Information Resources*.

Further, I conclude that the [bureau/office] substantially complies/does not substantially comply with the three components of the Federal Financial Management Improvement Act (FFMIA): Financial system requirements, Federal accounting standards, and the U.S. Standard General Ledger at the transaction level.

ATTACHMENT 2

Corrective Action Plan for Audited Financial Statements and FMFIA
Material Weaknesses and Noncompliance
Issues Identified in FY 2005
as of

Bureau:

Title of Material Weakness or Noncompliance Issue:

Check One: Material Weakness _____ Noncompliance Issue _____ FMFIA _____

Carryover Issue or New in FY 2005:

Description of Material Weakness or Noncompliance Issue:

Planned Correction Date Reported in FY 2005 PAR:

Current Planned Correction Date:

Program/Organizational Component Where Weakness or Issue Resides:

Accountable Officials:

- Headquarters:
- Field-level:

Funding Committed for Corrective Actions: \$

Appropriation Account:

Metrics: (Provide the metrics which will be used to measure progress, and those used to determine that the actions taken corrected the weakness.)

Detailed Actions:

Summary of Corrective Action Plan:

Corrective Action and Milestones:

ATTACHMENT 3

STATUS OF ACTION TAKEN ON FINAL AUDIT REPORTS ISSUED BY THE GOVERNMENT ACCOUNTABILITY OFFICE

(Bureau Name)
(Quarter Ending)

[illegible]

ATTACHMENT 3

Status of Pending Office of Inspector General or Government Accountability Audits Quarter Ending

Bureau or Office:

Audit Title:

Audit Number:

Report Date:

Initiator:

Audit Scope:

Primary Findings And Recommendations:

Open Recommendations:

Actions Needed to Close Audit:

Original Target Date:

Current Target Date:

Reasons for Delay:

Bureau Contact:

ATTACHMENT 4

STATUS OF EXTERNAL AUDIT REPORTS WITH DISALLOWED COSTS

(Bureau Name)
(As of Quarter Ending)

[illegible]

Explanation of Status Codes:

- A – Final action had not been taken by the start of the reporting period.
- B – Management decision made during reporting period.
- C – Final action taken during the reporting period.
- C1 – Disallowed costs collected.
- C2 – Disallowed costs written off.
- C3 – Disallowed costs offset.
- C4 – Disallowed costs reinstated.
- C5 – Disallowed costs referred to Treasury for collection action.
- C6 – Mixed final action (collection/reinstatement/write-off).
- D – Final action had not been taken by the end of the reporting period.
- D1 – Management decision made within preceding year.
- D2 – Management decision made over 1 year ago.
- D3 – Management decision under formal appeal.

Management Control and Audit Followup Contacts

Attachment 5

OFFICE CONTACT NAME PHONE NO. FAX NUMBER

ASSISTANT SECRETARY FOR INDIAN AFFIARS

PFM	Deborah Jones Bureau of Indian Affairs	202-208-5798	202-208-6940
	Jerry Fiely (AF)	703-390-6353	703-390-6304
	Kathy Slover (AF Aleamate)	703-390-6314	703-390-6325
IAE	Debbie Clark (MC)	202-208-5185	202-219-2127

ASSISTANT SECRETARY FOR LAND & MINERALS MANAGEMENT

PFM	Theodore Cross Assistant Secretary - LM	202-208-5251	202-208-6940
LM	Pamela Royal (MC & AF)	202-208-3113	202-208-3144
	Andrea Nygren (AF)	202-452-5153	
	Kamilah Rasheed (MC)	202-452-5161	
LLM	Betty Buxton (Finance)	202-452-	202-452-5171
	James Witkop (AF)	202-208-3236	
	Barbara Desiderio (MCAF)	202-208-3973	
	Sharilyn Keeton (MC)	303-275-7129	202-208-4891
LMS	JoAnn Fitts (MC)	303-275-7108	303-275-7124
	Towanna Thompson (AF)	202-208-2726	
LSM	Ruth Stokes	202-208-2726	202-219-3101

ASSISTANT SECRETARY FOR WATER & SCIENCE

PFM	Debbie Smith Assistant Secretary - WS	202-208-3250	202-208-6940
WS	Olivia Ferriter (MC & AF)	202-208-4881	202-208-3324
	Tom Lab (MC & AF)	303-445-3436	
	Elaine Ferrari (AF)	303-445-2788	
WBR	Jackie Stephens (MC)	303-445-3001	303-445-6343
	Rebecca Bageant	703-648-4328	703-648-5068
	Debbie Sykes (fin rpt only)	703-648-7696	703-648-4112
WGS	Connie Rough (MC)	703-648-7104	703-648-5068

OFFICE CONTACT NAME PHONE NO. FAX NUMBER

ASSISTANT SECRETARY FOR FISH AND WILDLIFE AND PARKS

PFM	Vernon Hubbard Assistant Secretary - FW	202-208-3127	202-208-6940
	Tom Bauer (MC & AF)		
FW	Paul Hoffman	202-208-3928	202-208-4684
	Jack Blickley (MC & AF)	703/487-9071	
FNP	Vera Washington	202/354-1960	202-371-6554
	Nancy Cipriano (MCAF)	703-358-2502	
FWS	Michael Schwartz (MCAF)	703-358-1730	703-358-2269

OFFICE OF INSULAR AFFAIRS

	Tamela Ross Office of Insular Affairs		
PFM		202-208-3308	202-208-6940
PIA	Marina Tinitali	202-208-5920	202-208-5279

OFFICE OF THE SPECIAL TRUSTEE

	Eric Eisenstein Office of Trust Fund Management		
PFM		202-208-3417	202-208-6940
	Jim Stephens (MC)	505-816-1252	
OST	William Ragsdale (AF)	505-816-1264	505-816-1365

Management Control and Audit Followup Contacts

Attachment 5

OFFICE CONTACT NAME PHONE NO. FAX NUMBER

ASSISTANT SECRETARY - POLICY, MANAGEMENT & BUDGET AND OTHER DEPARTMENTAL OFFICES

PFM	Eddie Ray Office of the Secretary	202-208-7954	202-208-6940
PAM	Pat Corrigan (MC & AF)	202-208-1906	202-219-4244
PEP	Willie Taylor (MC & AF)	202-208-3891	202-208-6970
PIO	Sherry Barnett (AF & MC)	202-208-0596	202-501-2360
	Trang Vo (IT MC)	202-208-3317	202-501-7864
NBC	Gary Dragseth (MC & AF) Anthony Queern (alternate)	303-969-7780	303-969-7166 703-390-3780
		X2463 703-390-6606	
POB	Dianne Shaughnessy (AF)	202-208-6851	202-219-2849
	Bing Topper (MC) Pam Haze	202-208-6441 202-208-5308	
PPA	Larry Finfer (AF & MC) Benjamin Simon (MC)	202-208-3805	202-208-4867
PPM	Michael Ballew (MC & AF)	202-208-7765	202-219-1513
PSD	Frank Gisondi (MC & AF)	202-208-4907	202-219-2131
PLE	John Kmetz (AF)	202-208-5903	202-219-8173
OWFC	Barbara Loving	202-606-3108	202-606-3150